



**SHARĪ‘AH GOVERNANCE FOR ISLAMIC BANKING:
AN ANALYTICAL STUDY OF THE PAKISTAN
EXPERIENCE**

BY

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**A dissertation submitted in fulfilment of the requirement for
the degree of Masters of Islamic Revealed Knowledge and
Heritage (Fiqh and Uşūl al-Fiqh)**

**Kulliyyah of Islamic Revealed Knowledge and
Human Sciences
International Islamic University Malaysia**

SEPTEMBER 2015

ABSTRACT

The State Bank of Pakistan has introduced a new Sharī‘ah governance framework for Islamic banking in Pakistan recently which was influenced by its past and continues to influence the present Islamic banking legal and operational experiences. The research is designed to analyze critically its theoretical, historical, structural and operational aspects. It explores the main theme of Sharī‘ah governance framework and its formation in Pakistan’s Islamic banking system. It also examines the influence of different regulatory authorities on Sharī‘ah governance framework and identifies the roles and responsibilities of each organ in its operational structure. It uses the critical, analytical and comparative methodology. The study is mostly based on the available literature produced in the past and present related to Pakistan’s Islamic banking system. The result of the study reveals that Sharī‘ah governance is simply a complement of the traditional corporate governance system in addition to its Islamic worldview. The historical study discovers that Islamic banking is a religious and financial need for the large Muslim population of the country. It points out that there is an overlapping situation among the supervisory authorities but no specification is found for a decisive role of any high authority to deal with the Islamic banking issues. The State Bank of Pakistan and its Sharī‘ah Board need to be granted with exclusive decisive role regarding Islamic banking matters. It discovers that the present Sharī‘ah governance framework is lacking legal and regulatory strength. The composition of the Sharī‘ah advisory boards at the central level and the institutional level need more improvements in terms of the number of Sharī‘ah advisors and the criteria for their selection and appointment. There is no specific provisions of the roles and responsibilities and privileges of the main organs of the Sharī‘ah governance framework which is crucially required by considering the framework implemented by Bank Negara Malaysia. The local regulatory system must be enhanced and the Sharī‘ah governance framework should be backed by legal amendments in the current system to prevent any possible systematic disorder.

خلاصة البحث

قدم البنك المركزي الباكستاني إطاراً جديداً للحوكمة الشرعية في البنوك الإسلامية في باكستان؛ وقد تمّ تأسيس هذا الإطار على خبراته الماضية، كما أنه يؤثر حالياً على الخبرات القانونية والتشغيلية للمصرفية الإسلامية في البلاد. ويهدف هذا البحث إلى إجراء تحليل نقدي للجوانب النظرية والتاريخية والهيكلية والتشغيلية للحوكمة الشرعية، ويحاول من خلاله كشف المبحث الرئيسي لإطار الحوكمة وتشكيله في النظام المصرفي الإسلامي في باكستان. كما يدرس هذا البحث تأثير السلطات التنظيمية المختلفة في إطار الحوكمة، ويحدد أدوار كل عضو ومسؤولياته في الهيكل التشغيلي. ويعتمد هذا البحث على المنهج النقدي والتحليلي والمقارن، وتستند هذه الدراسة على الدراسات السابقة التي كتبت قديماً وحديثاً حول النظام المصرفي الإسلامي في باكستان. وتشير نتائج هذه الدراسة إلى أنّ الحوكمة الشرعية مجرد مكمل لنظام حوكمة الشركات التقليدي مع إضافة المفهوم الإسلامي إليها. وتكشف الدراسة التاريخية لهذا البحث أنّ المصرفية الإسلامية تعتبر ضرورة دينية ومالية لعدد كبير من المسلمين في البلاد. وأيضاً يشير البحث إلى أنّ هناك حالة تداخل بين السلطات الرقابية، ولكن لم يتمكن من العثور على دور حاسم من أي سلطة عليا للتعامل مع القضايا المصرفية الإسلامية، ويحتاج البنك المركزي الباكستاني وهيئته الشرعية أن يمنح صلاحية خاصة لحسم دوره فيما يتعلق بقضايا المصرفية الإسلامية. إضافةً إلى ذلك، فإن هذا البحث يكشف أنّ إطار الحوكمة الشرعية الحالي مفتقر إلى القوة القانونية والتنظيمية. كما أنّ تشكيل المجالس الاستشارية الشرعية على المستوى المركزي والمستوى المؤسسي بحاجة إلى مزيد من التحسينات فيما يتعلق بعدد المستشارين الشرعيين ومعايير اختيارهم وتعيينهم. ولا يوجد لوائح قانونية محددة لوظائف وخصائص الأجهزة الرئيسية ومسؤولياتها نحو تأطير الحوكمة الشرعية، والتي تعتبر مطلباً أساسياً من خلال النظر في الإطار الذي يطبقه البنك المركزي الماليزي. وأحيراً فيجب تعزيز النظام الرقابي المحلي، وينبغي أن يكون إطار الحوكمة الشرعية مدعوماً من خلال التعديلات القانونية في النظام الحالي وذلك لمنع أي اضطراب منهجي ممكن.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Islamic Revealed Knowledge and Heritage (Fiqh and Uşūl Fiqh).

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Ahmad Basri bin Ibrahim
Supervisor

I certify that I have read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Islamic Revealed Knowledge and Heritage (Fiqh and Uşūl Fiqh).

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Knowledge and Human Sciences

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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ACKNOWLEDGEMENTS

All praises to almighty Allah, the most Gracious, the most Merciful for granting me the strength and ability to complete this thesis.

First and for most, I wish to present my sincere gratitude to my supervisor Dr. Ahmad bin Ibrahim Basri who has been supervising me since the beginning of this thesis until the last moments. . His kindness in sharing knowledge, patience over my shortcomings and valuable guidance throughout this research will always be part of my adorable memory.

I am also extremely thankful to all of my beloved friends, Muhammad Mustakim, Muhammad Amin and specially sister Farah Shuhada for their unconditional moral support.

Most of all, my sincere gratitude goes to my beloved parents, Sahibzda Abdul Wali and Bibee Hajja for the continuous support, prayers, encouragements and care throughout my life. Finally, special appreciations go to my dear siblings mostly Karim Jan for his moral support and encouragement.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration.....	v
Copyright Page.....	vi
Acknowledgements.....	vii
List of Abbreviation.....	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Research Background	1
1.2 Problem Statement.....	3
1.3 Research Questions.....	4
1.4 Research Objectives.....	4
1.5 Significance of the Research	5
1.6 Limitation of the Research.....	6
1.7 Methodology of the Research.....	7
1.8 Literature Review	8
1.9 Chapterization of the Research.....	19
CHAPTER TWO: INTRODUCTION TO SHARĪ‘AH GOVERNANCE	20
2.1 General Introduction to Sharī‘ah Governance.....	20
2.2 Origin of Institutional Governance in Islamic Banking	21
2.3 Conceptual Definition of Sharī‘ah Governance in Islamic Banking.....	23
2.4 Theoretical Basis of Sharī‘ah Governance System	27
2.4.1 Fundamental Principles and Institutional Architecture of Sharī‘ah Corporate Governance	30
2.4.2 Stakeholder Operative Approach	33
2.4.3 Concept of Corporate Architecture and Sharī‘ah Supervision.....	37
2.6 Key Features of Sharī‘ah Governance Framework and their Functions	39
2.6.1 Internal Sharī‘ah Governance Arrangement	40
Board of Directors and its Role	41
The Management	42
Sharī‘ah Supervisory Authority.....	43
2.6.2 External Arrangements of Sharī‘ah Governance	46
2.5 Objectives of Sharī‘ah Governance of Islamic Banking	48
CHAPTER THREE: HISTORICAL PHASES OF PAKISTANI MODEL OF ISLAMIC BANKING	51
3.1 Introduction.....	51
3.2 Emergence of Islamic banking in Pakistan:.....	53
3.3 Official Efforts for the Islamization of the Banking Sector in Pakistan.....	56
3.4 Post Launching of Islamic Banking.....	59
3.5 Re-launching of Islamic Banking	63

3.6 Conclusion	73
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CHAPTER FOUR: REGULATORY AND SUPERVISORY BODIES INVOLVED IN SHARĪ‘AH GOVERNANCE PRACTICE IN PAKISTAN ...75

4.1 Introduction.....	75
The State Bank of Pakistan.....	77
4.2 The Federal Sharī‘ah Court	79
4.3 The Council of Islamic Ideology	83
4.4 Securities and Exchange Commission of Pakistan.....	86
4.5 International Standards Setting Organizations for Islamic Finance	90
4.6 Conclusion	94

CHAPTER FIVE: ORGANIZATIONAL ARRANGEMENT OF SHARĪ‘AH GOVERNANCE FOR ISLAMIC BANKING IN PAKISTAN96

5.1 Introduction.....	96
5.2 Composition of Sharī‘ah Supervision.....	97
5.3 Fit and Proper Criteria for Selection of Sharī‘ah Board Members.....	106
5.3.1 Educational Qualification	107
5.3.2 Experience and Exposure.....	107
5.3.3 Track Record.....	108
5.3.4 Solvency and Financial Integrity	108
5.3.5 Integrity, Honesty and Reputation	108
5.3.6 Conflict of Interest	109
5.3.7 Declaration of Fidelity and Secrecy as per Section 33A of BCO, 1962	109
5.4 Types of Sharī‘ah Supervision.....	111
5.4.1 Central Sharī‘ah Board of SBP	112
5.4.2 Sharī‘ah Supervisory Boards of Islamic Banks	115
Duties and Responsibilities	116
5.4.3 Sharī‘ah Compliance Inspections by SBP’s Supervisory Authorities	117
5.4.4 Sharī‘ah Advisory Board in Securities and Exchange Commission of Pakistan	119
5.5 Board of Directors and the Management of Islamic Banks.....	122
5.5.1 The Board of Directors and its Role	123
5.5.2 The Executive Management and its Role	124
5.6 Conclusion	127

CHAPTER SIX: FUNCTIONS OF THE SHARĪ‘AH SUPERVISORY BOARD IN THE ISLAMIC BANKING OF PAKISTAN129

6.1 Introduction.....	129
6.2 Supervision on Product Developing Process and Compliance Function	130
6.2.1 Sharī‘ah Supervisory Function of SBP	131
6.2.2 Sharī‘ah Supervisory Function of IBIs	133
6.2.3 Conflict Resolution	135
6.3 Sharī‘ah Review.....	137
6.4 Sharī‘ah Audit	139
6.4.1 Internal Shari’ah Audit.....	140

6.4.2 External Shari’ah Audit	141
6.5 Shari’ah Compliance Department and its Functions	144
6.5.1 Shari’ah Board Secretariat	145
6.5.2 Conduit between Management and the Shari’ah Board.....	145
6.5.3 Facilitation of Management	146
6.5.4 Shari’ah Compliance Review.....	146
6.5.5 Enforcement of Shari’ah Audit Reports.....	147
6.5.6 Trainings on Shari’ah Compliance	147
6.6 Resident Shari’ah Board Member’s Special Role	148
6.7 Conclusion	152
CHAPTER SEVEN: CONCLUSION AND RECOMMENDATIONS.....	155
7.1 Introduction.....	155
7.2 Research Findings.....	155
7.3 Recommendations.....	158
BIBLIOGRAPHY	159

LIST OF ABBRIVATION

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
BNM	Bank Negara Malaysia
CII	Council of Islamic Ideology
FSC	Federal Shariat Court
IFSB	Islamic Financial Services Board
IBD	Islamic Banking Department
PLS	Profit and Lose Sharing
PTC	Participation Terms Certificate
RSBM	Resident Sharia Board Member
SBP	State Bank of Pakistan
SB	Sharia Board
SA	Sharia Advisor
SC	Sharia Committee
SECP	Securities and Exchange Commission of Pakistan
SAC	Sharia Advisory Council
SGF	Sharia Governance Framework
SCP	Supreme Court of Pakistan
SAB	Shariat Appellate Bench
TFC	Term Finance Certificate

CHAPTER ONE

INTRODUCTION

1.1 RESEARCH BACKGROUND

Islamic banking is a fast growing industry. Since its inception, it has introduced numerous new contracts and provided alternative modes of transactions and services to ensure that financial activities accord to the Islamic precepts outlined by the Sharī‘ah. This alternative model of banking and finance has been gaining momentum to compete with the age-long conventional system based on *ribā* (usury). However, the robustness, structure, efficiency and spread of this rising Islamic interest-free banking and financial system varies from country to country in many ways, least of which is the age of the institutions adopting Islamic banking. One important aspect on which the success and advancement of the Islamic banking and finance industry depends is the degree to which it meets Sharī‘ah requirements in all its activities, in addition to the ways its operations are governed. The issue of Sharī‘ah governance is being increasingly emphasized by different parties from within and without the industry.

Generally, governance is considered the heart of any business. The basic function of corporate governance is to ensure that all organs of the corporation follow the rules, regulations and policies in pursuit of its corporate goals. Effective corporate governance consists of a strong risk management mechanism where transparency, fairness, responsibility, accountability and independence are properly observed.

In general, the framework of Sharī‘ah governance in Islamic financial institutions refers primarily to the management, establishment and affairs of Sharī‘ah committees. A Sharī‘ah committee, normally consisting of *Fiqh* scholars with special

skills and knowledge of Islamic commercial law, has the duty to advise Islamic financial institutions on Sharī‘ah compliance in all aspects of operations.¹

There are many players in the field of Islamic banking, all of whom have established their governance structures and strategies according to the unique nature of their business and financial needs. In the field of Sharī‘ah governance for Islamic banking, the Pakistani model of Sharī‘ah governance along with other well-known models such as the Malaysian model are considered the most regulated and efficient models. Upon the introduction of clear rules and regulations, the Islamic banking system based on the above two models have seen positive growth. Among the outcomes of proper regulation is the noticeable increase and steady growth in the market shares of Islamic banks. This rapid growth of market share indicates the trust and public confidence in Islamic banking and its Sharī‘ah compliance.

The study seeks to explain the main concept of Sharī‘ah governance and to explore the reasons why Sharī‘ah governance is required in the Islamic banking system. It will shed light upon the historical stages of Pakistan’s Islamic banking industry to obtain clear insights regarding its past experience. It will examine the structures and the operations of the Sharī‘ah governance model adopted and implemented by the State Bank of Pakistan in respect to the Islamic banking industry. It will lead the research to analyse the main features and the overall implementation of the Pakistani Sharī‘ah governance framework. The research then proposes the best practice of the Sharī‘ah governance for Pakistan’s Islamic banking industry through recommendations and suggestions.

¹ Zulkifli Hasan, “Sharī‘ah governance in the Islamic financial institutions in Malaysia” *Journal of Management and Mouamla*. pp 77-90, (2007), Kuala Lumpur.

1.2 PROBLEM STATEMENT

The term ‘Islamic banking’ is often associated with fairness, transparency and faith-based operations. This ideal image of Islamic banking can only be truly obtained if an Islamic banking system is introduced and implemented in both letter and spirit. Adopting Islamic financial principles which direct the Islamic banking system towards the mutual benefits and free of any form of exploitation guarantees the prosperity of the entire society. Shari‘ah governance in Islamic banks, which organize, manage and systematize the Islamic financial principles according to market or business operations, maintains a balance between the credibility of the system and the marketability of its products. This balance is necessary for successful wealth management and requires a degree of contextualisation to suit local conditions. For this reason, Islamic financial institutions need to establish their own structure of Shari‘ah governance.

The researcher is of the belief that to date, there is yet a research conducted that provides a clear analytical study of the Shari‘ah governance system in Pakistan. This system of governance is the outcome of a prudential set of guidelines and instructions issued by the Department of Islamic Banking of the State Bank of Pakistan (SBP) to regulate the Islamic banking industry in the country.

To date, only a handful of Muslim countries have properly regulated their Islamic banking industry. Among them, Bank Negara Malaysia (BNM) and the State Bank of Pakistan (SBP) respectively formulated proper, balanced and regulated Shari‘ah governance frameworks. After the official re-launching of the Islamic banking industry in Pakistan, it has seen rapid growth. This development makes a study of its pre-regulation conditions particularly insightful so as to determine which areas require reform in addition to determining the efficacy of those reforms.

Among the issues examined are the criteria for the composition of the Sharī‘ah boards, their capabilities and operational issues such as information disclosures and the product developing process. In line with the above, this analytical study of Pakistani’s Sharī‘ah governance explores the steps towards a greater, harmonized, balanced, sound and robust Sharī‘ah governance structure to serve as a supportive model in other jurisdictions.

1.3 RESEARCH QUESTIONS

This research is intended to find out the answers to the following questions:

1. What are the principles and the origin of Sharī‘ah governance in Islamic banking?
2. What is the historical background of the Pakistani model of Islamic banking and its Sharī‘ah governance?
3. Who are the external regulatory and supervisory authorities involved in Sharī‘ah governance process for Islamic banking in Pakistan?
4. What is the structure and organizational arrangement of the Sharī‘ah governance framework for Islamic banking in Pakistan?
5. What are the functions and responsibilities of the Sharī‘ah board for Islamic banking in Pakistan?

1.4 RESEARCH OBJECTIVES

Based on the abovementioned questions, this research aims to accomplish the following objectives:

1. To determine the basic principles and the origin of Sharī'ah governance of Islamic banking and to explore why Islamic banks are required to have it as part of their system.
2. To identify the historical phases which the Pakistani model of Sharī'ah governance for Islamic banking has come through.
3. To examine the role of external regulatory and supervisory authorities involved in Sharī'ah governance process for Islamic banking in Pakistan.
4. To explore the recent structure and the organizational formation of the Sharī'ah governance framework for Islamic banking in Pakistan.
5. To analyse the roles and responsibilities of the Sharī'ah board of Islamic banks in Pakistan.

1.5 SIGNIFICANCE OF THE RESEARCH

1. It is very important to mention that the proposed research contributes to a basic understanding of Sharī'ah governance for Islamic banking as it is obvious that the role of Sharī'ah governance in Islamic banking industry is very significant. Sharī'ah governance of Islamic banks is the only reliable hope for those who need to keep their wealth safe from any transaction which is prohibited by the Islamic law. So it is worth explaining it in a simple way to pay attention to this fast growing financial sector for the benefit of all.
2. It is hoped that by examining the recent state of Sharī'ah governance in Pakistan and by studying it comparatively with other models of Sharī'ah

governance in Muslim countries, will explore ways to develop the recent state of this system in a more advance manner.

3. It is also expected that the findings of the research will help the regulators, supervisions, operations and especially the product development process to be strengthened more. The recent arrangements and the adherent issues of the operation of the Sharī'ah governance system are highlighted. All these possible issues are analyzed and in the light of the research findings, the problems will be solved.
4. The most important part of the research is its attempt to suggest some possible improvements for the Pakistani model of Sharī'ah governance. It will help this model to strengthen the Islamic banking industry in the light of clear and proper understanding of the Islamic financial principles. It will bring more confidence and trust of the public towards Islamic banking.

1.6 LIMITATION OF THE RESEARCH

The proposed research explores the model of Sharī'ah governance which has been adopted by the State Bank of Pakistan (SBP). The Sharī'ah governance consists of different parts of operational instruments. One of those instruments is Sharī'ah supervision which is considered the heart of Islamic banking operation. The research is conducted through the study of the recent Sharī'ah governance framework and the set of guidelines which are issued by the Islamic Banking Department of the State Bank of Pakistan.

1.7 METHODOLOGY OF THE RESEARCH

The researcher uses the **qualitative research methodology**. This methodology will be divided further into three parts which are as follows:

1. Data Collection:

This research examines the guiding principles of the framework of Sharī'ah governance as presented by the SBP for the Islamic banking industry. For this, the research depends on the collection of data from different sources including books, journals, articles, research papers and theses related to the research topic.

2. Comparative Method:

By examining the Pakistani model of Sharī'ah governance, the researcher employs the comparative method to compare with other models of Sharī'ah governance practised by different Islamic jurisdictions. It comparatively explores their main organs and features, roles and precise functions in their business operation. This comparative methodology assists the research in evaluating the merit of the recent Sharī'ah governance framework imposed by the SBP to ascertain the pitfalls of the Pakistani model and to propose technical reforms to suit other contexts.

3. Analytical Method:

After evaluating and comparing it with different models of Sharī'ah governance, an analytical method is employed to analyse and examine the Pakistani model of Sharī'ah governance. It analyses its recent conditions, its arrangement issues, the structure of the institutional governance and operations, their current level of soundness and proposes an efficient practice for Sharī'ah governance for the Islamic banking industry of the country.

1.8 LITERATURE REVIEW

There are numerous research published in the field of Shari‘ah governance. Some highlight its theoretical aspects while others explored the operational issues. Much good work has been done regarding its regulatory framework while some researchers have focused on supervisory and operational aspects. Others have explored the Shari‘ah governance system as a whole and discussed its function and how it can be or should be implemented. Some have elaborated on Shari‘ah governance models such as Malaysian and Pakistani models briefly and separately. However, no attempt has been made to produce an analytical study of Pakistan’s experience. The researches published on the theme of this research are discussed next.

Shamshad Akhtar (2006) has expressed in her keynote address entitled “*Shari‘ah Compliant Corporate Governance*”² the need for corporate governance in Islamic financial institutions with its theoretical evidence from the Islamic legacy. She asserts that the nature of the risks associated with Shari‘ah compliance differs from that of conventional banks such as reputational risk, which can be controlled by the effective role of the directors with full determination about Shari‘ah compliance. She suggests that the distinction of the responsibilities of the main organs of the system must be confined. All the financial transactions and the product structure must comply with Shari‘ah. For this purpose, all the required and necessary information must be made available for the Shari‘ah Board to enable them to issue an informed decision and endorse those financial products. The rulings should be harmonized locally and internationally to avoid conflict. Beside this, Shamshad sheds light on the efforts made by the SBP concerning Islamic banking such as establishing the Islamic banking

² Shamshad Akhtar, “Shari‘ah compliant corporate governance”, keynote address delivered at Annual Corporate Governance Conference, Dubai (2006) available at <http://www.sbp.org.pk/about/speech/governors/dr.shamshad/2006/Corporate-Governance-30-Dec-06.pdf>, (Retrieved on April 6,2014).

department, the guidelines for the regulation and supervision of the Islamic banks, Sharī'ah compliance inspection and the centralized Sharī'ah board to oversee all Islamic banking activities in the country. The research provides valuable information in support of the proposed research. It is also helpful for the conceptual understanding of Sharī'ah governance. Despite its relevance, the researcher has not treated the issues with significant depth. Likewise, her research is not comprehensive in scope because it provides only a brief and general introduction to the Sharī'ah governance arrangement of Pakistan and its initial state of existence. Therefore, there is still a need to conduct research on this topic in greater detail which encompasses all aspects of the Sharī'ah governance framework.

Muhammad A. Qattan (2006)³ wrote *Sharī'ah Supervision: The Unique Building Block of Islamic Financial Architecture*. The author introduces a general model of Sharī'ah governance in this research. He stresses on the importance of the Sharī'ah governance process as a part of an institutional arrangement. Qattan has adopted the term “Sharī'ah Control Committee (SCC)” as the specific name for Sharī'ah supervision. He considers the function of SCC to be similar to the work of *hisbah*. The research illustrates the importance of the Sharī'ah governance process. The goals and the governance structure of the Sharī'ah Control Committee are aptly defined. It explains the different types of Sharī'ah supervisions the size of the Sharī'ah committees, the members' qualifications, the selection criteria, the period of work and its scope of actions, its legal authority, and the due role or responsibilities and the obligations. The paper further discusses the accountability of the actions taken by the members of the committee. The author elaborates on Sharī'ah governance in a general

³ Muhammad A. Qattan “Sharī'ah Supervision: The Unique Building Block of Islamic Financial Architecture” *Islamic Financial Architecture: Risk Management and Financial Stability*, (2006), pp. 273 – 287, (IRTI), Islamic Development Bank, Jeddah.

sense along with some evidence from the different models around the world. Despite the significance of the research, it does not explain the Pakistani model. It is restricted to a general structure of Shari'ah governance. However, it provides valuable support for the proposed research to build the conceptual and structural overview of Shari'ah governance, which is required in the first chapter of the proposed research.

Zulkifli Hasan (2010) is the author of "*Regulatory Framework of Shari'ah Governance System in Malaysia, GCC Countries and the UK*".⁴ He discusses the regulatory frameworks formulated by Malaysia, GCC countries and the UK. The author divides his research into five sections. Starting with an introduction on the system of Shari'ah governance and its regulatory aspects, the research explains the different approaches of the regulatory prospects of the selected countries where the Malaysian model is labelled as a pro-active approach because of its strong regulatory infrastructure which strengthens the Shari'ah governance system through the series of laws and acts set by the related authorities. The author has briefly introduced the Pakistani model as an interventionist approach where the third party (Federal Shari'ah court) is allowed to be the highest authority for resolving matters relating to Islamic finance beside the Shari'ah board of the SBP. The third section explores the systems for Shari'ah governance in Malaysia, GCC countries and the UK. In this section, the author elaborates on the Shari'ah governance system in Malaysia in great detail. He introduces the evolutionary stages and the series of laws and acts for the Islamic financial institutions. He mentions the efforts of the government institutions and the central bank in the field of Islamic banking such as the establishment of the Shari'ah advisory council at the national level, the mechanism between SAC and the Shari'ah committees of the local Islamic banks, their operations and supervision, and the

⁴ Hasan Zulkifli "Regulatory framework of Shari'ah governance system in Malaysia, GCC countries and the UK" *Kyoto Bulletin of Islamic Area studies* (March, 2010), pp. 82-115.

guiding principles issued by the BNM. All these initiatives have been introduced by the author with special reference to how all these efforts are supported by the sound regulatory framework. This kind of unprecedented effort distinguishes the Malaysian model from its counterparts. The fifth part of the paper highlights the regulatory issues essential for the system of Sharī‘ah governance. These include whether the Sharī‘ah rulings are binding or not on IFIs, the issue of conflicting Islamic law with civil law in non-Islamic countries or mixed law countries, the cases related to Islamic finance can be tackled by the civil court and the ability of the judge to hear cases of Islamic finance or if it is strictly under the purview of the Sharī‘ah board. The contradiction of Sharī‘ah rulings and the status of the Sharī‘ah advisor are also issues highlighted by the author along with some legal cases as examples. The author significantly explores the selected Sharī‘ah governance systems. He discusses almost every corner of the topic comprehensively, especially concerning the Malaysian model. However, despite its many merits, the author does not sufficiently address the Pakistani model. He does not add the Pakistani model to his comparative research, which emphasises the merit of the proposed research.

Rukhsar Ahmad et al. (2010)⁵ wrote *Islamic Banking in Pakistan – Problems and Prospect* which is a qualitative research. The data collected in this research are based on questionnaires and interviews with customers and professionals within Islamic banking. The authors have concentrated on specific aspects of Islamic banking. The first section introduces Islamic banking with a brief historical overview, with a special look at Pakistan’s experience. It gives a detailed explanation of the principles of Islamic banking, its concept, its operational systems and tools, the

⁵ Rukhsar Ahmad, Kamran Siddiqui and Immamuddin (2010), “Islamic Banking in Pakistan – Problems and Prospects” https://www.academia.edu/4503137/Islamic_Banking_in_Pakistan_Problems_and_Prospects, (Retrieved on April 6, 2014).

differences between Islamic and conventional banking, the state of Islamic banking in Pakistan and abroad and the role of Islamic banking during financial crises. It also pinpoints the main challenges of Islamic banking internationally with a focus on the challenges faced by Pakistan's Islamic banking industry. One of the solutions recommended by the authors to meet the challenges is boosting the Islamic banking in the country. The information offered in this study is general and does not pertain specifically to Sharī'ah governance nor does it provide a very detailed account of the Pakistani model. Nevertheless, this research is an important source towards realising a balanced framework of Sharī'ah governance for Pakistan's Islamic banking industry.

Ahcene Lahsasna (2010)⁶ in *Introduction to Fatwa, Sharī'ah Supervision & Governance in Islamic Finance* highlights the basic concept of *Fatwā* which plays a significant role in the IFI's operational system. The study covers the introduction of *Fatwā* and its importance in Islamic finance, its basic requirements, the methodology of *Fatwā* by different schools of *fiqh* and the differences of methodology among them. Such discourse provides a basic understanding of general Islamic rulings concerning Islamic finance. The fourth chapter clearly illustrates the basic link between *Fatwā* and Islamic finance and its operational shape, which includes an explanation of the role of Sharī'ah boards, its attributes, its scope and information related to *Fatwā* to the Islamic banking. The study introduces the AAOIFI's, IFSB's and Bank Negara's guidelines regarding Sharī'ah governance. It also provides a brief introduction of the main components of Sharī'ah governance, which are the important organs of the business operations of Islamic banking such as the Sharī'ah board and its composition, its roles and functions, along with aspects of Sharī'ah review. The rest of the book discusses the *Fatwā* and its empirical evidence from recent Islamic financial sectors in

⁶ Ahcene Lahsasna *Introduction to Fatwā, Sharī'ah Supervision & Governance in Islamic Finance*, (Kuala Lumpur: CERT Center for Research and Training, 2010).

different aspects and the analytical overview of *Fatwā* in selected banks. Throughout the book, the author is mainly concerned with the *Fatwā* and its implication on the IFIs. He mentions some interesting information about the Pakistani and Malaysian models of Shari‘ah boards and their compositional procedures. His research illustrates the general structure of Shari‘ah governance in light of evidence from the Malaysian and Pakistani models. However, the information given here is insufficient in a sense that it only focuses on the *Fatwā* and its link to Islamic finance. It does not attempt to conduct any precise study on the Pakistani model of Shari‘ah governance. That is why, the proposed research is aimed at focusing on the Pakistani model of Shari‘ah governance to explain it analytically.

Khawaja Ahmjad Saeed (2011)⁷ did a research entitled *Islamic Banking in Pakistan: A Review of Conventional and Islamic Banking*. This research is mainly formed to depict the statistical analyses of the performance of the Islamic banking industry in Pakistan, comparing its performance and growth with its conventional counterpart. He also measures the marketability and the acceptance of Islamic banking in the country. This research consists of four parts. In the first part, the author explains the prohibition of *Ribā* (interest) by quoting some *Qurānic* verses and the requirement of the constitution of Pakistan regarding the elimination of interest from the country’s economic system. The second part shows the historical rundown and the initiatives for the development of the Islamic banking industry. The third part focuses on three aspects of the banking sector, namely the growth of Islamic banking, its development and its performance in the country. The author offers some significant recommendations for the future progress of Islamic banking industry in Pakistan. Although this study has no direct relevance to the proposed research because it

⁷ Khawaja Ahmjad Saeed “Islamic Banking in Pakistan: A Review of Conventional and Islamic Banking.” <http://umt.edu.pk/icobm2012/pdf/2C-95P.pdf>. (Retrieved on July 7, 2014).